

Memorandum



Date: February 19, 2008

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George M. Burges
County Manager 

Subject: Prompt Payment Annual Report for Fiscal Year 2007

Agenda Item No. 12B2

Pursuant to Administrative Order No. 3-19 regarding Prompt Payments, below is the annual report of interest payments made to County vendors during the fiscal year that ended on September 30, 2007.

Background

Miami-Dade County's Prompt Payment Ordinance No. 94-40, as amended by Ordinance No. 94-106, directs the County to pay its vendors in a prompt and timely manner, and provides for expedited payment to small businesses. The ordinance stipulates that payments are due within 30 days of receipt of a proper invoice from small businesses and 45 days for all other businesses. Vendors may charge the County and the Public Health Trust interest for late payments. Per the Prompt Payment Ordinance, where such interest charges apply, interest is calculated on the unpaid balance compounded at the rate of 1 percent per month and shall accrue for a maximum of 12 months.

During FY 2006-07, the County made purchases totaling \$7.1 billion, as illustrated below. Payments to vendors, in accordance with the contract terms, are normally made using checks, wire transfers, or Automatic Clearing House (ACH) payments (direct deposit).

Organization	Payment Vouchers Issued	Equivalent Number of Payments Made (Checks/ACH)	Amount Paid
General Segment Departments			
General Segment Departments	566,818	155,068	\$ 5,213,980,624
Special Services Account	56,496	56,496	17,676,872
Manual Emergency Checks	3,281	3,032	129,838,208
Subtotal	626,595	214,596	\$ 5,361,495,704
Decentralized Departments			
Aviation	22,602	22,602	\$ 608,081,973
Housing	388,899	126,775	209,705,492
Water and Sewer	107,069	31,274	278,858,995
Public Health Trust	187,036	23,332	655,302,304
Subtotal	690,290	203,983	\$ 1,751,948,764
Grand Total	1,316,885	418,579	\$ 7,113,444,468

In FY 2006-07 the County took advantage of vendor offered payment discounts resulting in total savings of \$286,614. Additionally, the County made interest payments to vendors of totaling \$462 due to delays in processing invoices for payment. Interest payments were made by the Miami-Dade Aviation Department to Innovative Environmental Services in the amount of \$401 and by the Miami-Dade Housing Agency to Konica Minolta of \$61. Below is a table that details by department the savings and late payment charges by department.

Late Payments Interest Charges and Early Payment Discounts (Fiscal Year 2006-2007)		
Organization	Late Payment Charges	Early Payments Discounts Taken
General Segment Departments	0	\$33,430
Aviation Department	401	0
Housing Agency	61	0
Water and Sewer Department	0	3,068
Public Health Trust	0	250,116
Total	\$462	\$286,614

Continuing to Improve Responsiveness

The County encourages vendors to sign-up for the ACH payment method, which improves the vendor's cash flow by depositing County remittances directly to their bank accounts, making funds available within 48 hours of processing. Since this payment option is a transfer of funds directly to their' bank account, it serves to reduce the number of paper checks, mailings and outstanding reconciling items in the bank. The County will continue to promote this payment option as it provides benefits to the vendors and County alike. Payments paid through ACH increased from \$3.935 billion in FY 2005-06 to \$4.444 billion in FY 2006-07, a 12.9 percent increase.

An on-going initiative of the Finance Department is to track the timeliness of vendor payments, as well as responsiveness to the vendor community. Vendor payments are tracked from the date the invoice is received by the County to the date a payment is issued to the vendor. In FY 2006-07, one of the Finance Department's Sorties was to pay vendors invoices within 45 days thus resulting in 87 percent of invoices being paid within 45 days in FY 2006-07 as compared to 84 percent in FY 2005-06. County departments are continuously working to enhance efficiency in the payment process to increase the timeliness of payments to vendors, as well as continue to take advantage of early payment discounts.

Another measure that has improved the County's responsiveness to vendors is the use of purchasing cards. The County's purchasing card program is used by over 50 County departments for small purchases, registrations, on-line purchases and for emergency purposes. In 2007, the purchasing card usage totaled \$2.5 million. Additionally, the travel credit card program, initiated subsequent to the termination of the travel agency contract and used to book travel arrangements specifically air travel, totaled \$1.1 million. These programs generate a rebate based on the total dollars spent, resulting in \$42,254 worth of rebates since inception.

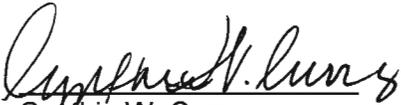
Other Payment Cycle Initiatives

The Vendor Payment Inquiry (VPI) website, which received an award by the National Association of Counties (NACo), enables vendors to inquire on the payment status of their invoices and check/ACH payment information. VPI provides a 24-hour self-service "window" into the payment process and facilitates continuous communication between the County and the vendor community. During FY 2006-07, the Finance

Department piloted an enhancement allowing vendors' to view the entire invoice life-cycle. The invoice life-cycle is defined as beginning on the date an invoice is received by the department for processing through the final payment date. This enhancement is expected to be available to all vendors no later than January 2008.

The Construction Contract Payment Administration Module implemented in FY 2005-06 continues to provide support to the construction contract payment process offering assistance to management with the following:

- Monitoring of the payment process cycle by capturing invoice receipt, approval, and final payment dates. All of the above contract information is also available to vendors on the Vendor Payment Inquiry Website;
- Tracking authorized amounts, related change orders, and payments associated with construction and other non-goods-and-services contracts; and
- Tracking remaining contract balances and related retainage balances when applicable.



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